

CITY OF MANCHESTER, MISSOURI

**FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
ADDITIONAL INFORMATION
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2008

City of Manchester, Missouri

CONTENTS

	<u>Page</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	<i>i - ix</i>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Net Assets	2
Statement of Activities	3
Balance Sheet – Governmental Funds	4
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Assets	5
Combined Statement of Revenues, Expenditures, and	
Changes in Fund Balances – Governmental Funds	6
Reconciliation of the Combined Statement of Revenues,	
Expenditures, and Changes in Fund Balances – Governmental	
Funds to the Statement of Activities	7
Notes to Financial Statements	8 - 20
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule:	
General Fund	21
Parks and Storm Water Projects Fund	22
Note to Required Supplementary Information	23
ADDITIONAL INFORMATION	
Combining Balance Sheet – Non-Major Funds	24
Combining Statement of Revenues, Expenditures, and	
Changes in Fund Balance – Non-Major Funds	25
Schedule of Revenues, Expenditures, and Changes in	
Fund Balance – Budget and Actual:	
Capital Projects Fund	26
Debt Service Fund	27
TIF Fund	28
Homecoming Fund	29
Sewer Fund	30

City of Manchester, Missouri
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008

INTRODUCTION

The discussion and analysis of the City of Manchester's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended December 31, 2008. It should be read in conjunction with the accompanying basic financial statements.

- The City's total net assets increased by \$1,134,400 in 2008. The current year increase brings the year end net asset value of the City to \$21,011,981. Of this amount, \$10,942,628 is invested in capital assets, \$1,985,260 represents restricted assets and the remaining \$8,084,093 represents unrestricted assets that can be used to meet the City's ongoing operations.
- As of December 31, 2008, the City's governmental funds reported a combined ending fund balance of \$15,133,399, a decrease of \$1,789,031 in comparison with the year ended December 31, 2007.
- At the end of the year, unreserved undesignated fund balance for the General Fund was \$7,026,639 or 82% of the General Fund appropriations for the 2008 year.
- The City made total debt service payments of \$1,818,893, of which \$1,485,000 represents principal.
- During the year, the City's expenses from all governmental programs (before transfers and special items) exceeded the revenues by \$1,789,031.
- The general fund reported a net increase in fund balance of \$512,222. This is a decrease of 61% over the prior year.

REPORT LAYOUT

The report consists of management's discussion and analysis (MD&A), government-wide statements, fund financial statements, notes to the financial statements, and required supplementary information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, public works, parks and recreation, community development, legal and courts and general government administration. The City currently does not have any business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

City of Manchester, Missouri
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008
(Continued)

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operation. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes, and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. The Statement of Activities focuses on gross and net costs of City programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column title "Other Non-major Funds." Budgetary comparisons for the General Fund and major special revenue funds are now presented as required supplementary information. A budgetary comparison is presented for the General Fund and the Parks and Storm Water Projects Fund.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

THE CITY AS A WHOLE

Government-Wide Financial Analysis

The City's combined net assets were \$21,011,981 as of December 31, 2008. This analysis focuses on the net assets (table 1), and changes in general revenues and significant expenses (table 2) of the City's governmental activities.

The City's net assets consist of its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding and unrestricted balances. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Manchester, Missouri
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008
(Continued)

Table 1
Comparative Statement of Net Assets

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Assets:			
Current and other assets	\$15,941,949	\$17,483,857	(\$1,541,908)
Capital assets	<u>12,395,278</u>	<u>10,939,395</u>	<u>1,455,883</u>
Total Assets	<u>28,337,227</u>	<u>28,423,252</u>	(<u>86,025</u>)
Liabilities:			
Current and other liabilities	824,538	588,477	236,061
Noncurrent liabilities	<u>6,500,708</u>	<u>7,957,194</u>	(<u>1,456,486</u>)
Total Liabilities	<u>7,325,246</u>	<u>8,545,671</u>	(<u>1,220,425</u>)
Net Assets:			
Invested in capital assets net of related debt	10,942,628	8,539,510	2,403,118
Restricted	1,985,260	2,579,442	(594,182)
Unrestricted	<u>8,084,093</u>	<u>8,758,629</u>	(<u>674,536</u>)
Total Net Assets	<u>\$21,011,981</u>	<u>\$19,877,581</u>	<u>\$1,134,400</u>

Net assets may serve over time as an indicator of the City's financial position. The City's net assets increased \$1,134,400 or 6% to \$21,011,981 as of December 31, 2008.

The most significant portions of the City's net assets are investment in capital assets, net of related debt and unrestricted balances, which total \$10,942,628 and \$8,539,510 in 2008 and 2007, respectively. Net assets invested in capital assets, net of related debt are 52% of total net assets. The City uses capital assets to provide services to the citizens; consequently these assets are not available for future spending. Unrestricted net assets are 38% of total net assets. Unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

Restricted net assets totaled \$1,985,260 at December 31, 2008. Restricted net assets are subject to external restrictions on how they may be used. Of restricted net assets, \$991,044 is restricted for parks, \$42,924 is restricted for capital projects, \$435,775 is restricted for debt service, and \$386,266 is restricted for sewer repairs.

City of Manchester, Missouri
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008
(Continued)

Table 2
Comparative Statement of Activities

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues			
Charges for service	\$ 1,044,406	\$ 1,151,762	(\$ 107,356)
Capital grants and contributions	108,934	179,918	(70,984)
General Revenues			
Taxes	9,480,173	9,451,529	28,644
Interest income	279,374	830,875	(551,501)
Miscellaneous	166,098	93,959	72,139
Other	10,000	-	10,000
Loss on the disposal of capital assets	<u>-</u>	(<u>58,401</u>)	<u>58,401</u>
Total Revenues	<u>11,088,985</u>	<u>11,649,642</u>	(<u>560,657</u>)
Expenses:			
General government	841,229	757,582	83,647
Police department	3,165,510	3,162,008	3,502
Public works	3,949,129	2,672,690	1,276,439
Community development	272,623	255,490	17,133
Aquatic center	449,556	471,485	(21,929)
Recreation	701,897	690,309	11,588
Legal and court	252,229	290,647	(38,418)
Interest and fiscal charges	<u>322,412</u>	<u>232,004</u>	<u>90,408</u>
Total Expenses	<u>9,954,585</u>	<u>8,532,215</u>	<u>1,422,370</u>
Increase in Net Assets	1,134,400	3,117,427	(1,983,027)
Net Assets, Beginning of year	<u>19,877,581</u>	<u>16,760,154</u>	<u>3,117,427</u>
Net Assets, End of year	<u>\$21,011,981</u>	<u>\$19,877,581</u>	<u>\$1,134,400</u>

The decrease in total revenues of \$560,657 represents a decrease of 5%. This deviation from normal growth was partially due to a stagnant economy producing lower than expected sales tax revenue. Since the city is dependent on varying revenue sources, Manchester is susceptible to income fluctuations and must continue to closely monitor economic indicators.

In 2008, sales tax decreased \$454,462 while property tax increased \$169,028 and utility tax increased \$263,091 over 2007. Interest income decreased \$551,501 due to the spending of the G.O. Bond investments, in order to construct the police facility. General Obligation Bond funds remain invested until expenses are incurred. Once expenses are incurred the investments are spent accordingly. Police fines and court costs decreased approximately \$109,991 in 2008 over the amount collected in 2007.

City of Manchester, Missouri
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008
(Continued)

Under the traditional accrual reporting the City's 2007 total expenses were \$8,532,215. This can be compared with the 2008 total expense under the same basis of \$9,954,585, which is an increase of \$1,422,370 from 2007.

A significant portion of this increase is due to increased activity in the public works areas of storm water projects, bridge repairs/replacement, and street/sidewalk maintenance and repairs. The public works department increased the budgeted expenditures in these specific areas by nearly \$1.2 million over the 2007 budgeted expenditures.

Community Development expenses increased \$17,133 from 2007 largely due to the cost associated with hiring a consultant to review the viability of developing the Historic District.

Governmental Funds

The following table presents the amount of revenues from various sources on the modified accrual basis of accounting in the governmental funds

Table 3

	Fiscal Year Ending 2008	Fiscal Year Ending 2007	Increase (Decrease)	Percentage Change
Taxes	\$ 9,480,591	\$ 9,527,319	(\$ 46,728)	0%
Licenses and permits	165,309	169,304	(3,995)	(2%)
Fines and forfeitures	480,481	590,472	(109,991)	(19%)
Investment income	279,374	830,875	(551,501)	(66%)
Charges for service	398,616	391,986	6,630	2%
Miscellaneous	<u>295,790</u>	<u>273,876</u>	<u>21,914</u>	8%
Total Revenues	<u>\$11,100,161</u>	<u>\$11,783,832</u>	<u>(\$683,671)</u>	(6%)

Total revenues in 2007 exceed 2008 by \$683,671. This decrease in revenue is a combination of several factors. Three major types of taxes are imposed by the City. Those taxes are: sales tax, utility use tax, and property tax. Tax revenue in 2008 recognized a slight decrease from taxes collected in 2007. With regard to taxes, the City had a decrease of \$46,728 in 2008 from the 2007 collection. This decrease is attributable to the overall sluggish economy prompting consumers to spend wisely. The fines and forfeitures had a decrease of \$109,991, this represents a reduction in the traffic during construction projects. The investment income reduced due to construction expenses, these increased expenses required that the City remove funds from investments in order to meet the expenditure. Additionally, the return on investments dropped significantly, due to the economic downturn in 2008. The City invested in vehicles that were safe rather than obtaining a high yield.

City of Manchester, Missouri
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008
(Continued)

Intergovernmental revenues are made up of taxes imposed and collected by other taxing jurisdictions, which are shared on a proportional basis with other entities such as the City. These taxes include gasoline, vehicle sales, cigarette, and vehicle fees. These sources of revenue increased by approximately \$51,705 from 2007 to 2008.

One of the City's most unpredictable revenue streams is in the fines and forfeitures category. The City of Manchester's Police Department participates in a regional Drug Tax Force. As a member of this Task Force, the City periodically receives a prorata share of asset forfeiture money which can only be spent to support police related activities. Asset forfeiture payments to the City only occur when major drug cases are settled and the court orders the defendants assets seized. In 2008, the City received approximately \$25,333 from asset forfeitures. In 2008 the total number of court cases processed decreased, which supported a decreased income in fines and court cost. In 2008 the City experienced a decrease of approximately \$109,991 from the city's fines and court costs.

Miscellaneous revenues increased in 2008 by \$21,914. The increase can be attributed to ICMA pension forfeiture monies and adjustment funds received from the City of Ballwin in conjunction with the dispatch contract.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2008, the City had \$15,714,473 invested in a broad range of capital assets, including police and public works equipment, buildings, park facilities, roads, and water and sewer lines (See Table 4 below). This amount represents a net increase (including additions and deductions) of \$1,784,142 or 13% over the prior year.

Table 4

	2008	2007
Land	\$ 1,580,963	\$ 1,570,963
Buildings and improvements	8,327,023	8,278,719
Machinery and equipment	1,003,796	968,691
Vehicles	1,284,608	1,264,658
Infrastructure	1,566,584	380,753
Construction in progress	<u>1,951,499</u>	<u>1,466,547</u>
	<u>\$15,714,473</u>	<u>\$13,930,331</u>

The most significant addition to capital assets this fiscal year was the purchase of police vehicles, equipment for public works, and the renovation of the Seven Oaks storm channel, which is still in progress. Additional information on the City's capital assets is presented in the notes to the financial statements.

City of Manchester, Missouri
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008
(Continued)

DEBT

At year-end, the City had \$6,055,000 in outstanding debt compared to \$7,540,000 at the end of the prior fiscal year, a decrease of \$1,485,000 or 20%.

Table 5

	<u>2008</u>	<u>2007</u>
Certificates of Participation	\$1,490,000	\$2,145,000
General Obligation Bonds	<u>4,565,000</u>	<u>5,395,000</u>
	<u>\$6,055,000</u>	<u>\$7,540,000</u>

During the fiscal year, the City made normal principal payments totaling \$915,000 and defeased \$570,000 of principal during the year. The City used funds available in the debt service fund to defease the bonds. More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

THE CITY'S FUNDS

At the close of the City's fiscal year on December 31, 2008, the governmental funds of the City reported a combined fund balance of \$15,133,399. This ending balance includes an increase in fund balance of \$512,222 in the City's General Fund. The excess of revenues over expenditures in the General Fund of \$897,658 was reduced by transfers to other funds in the amount of \$385,436.

The fund balance decreased by \$238,218 in the Parks and Storm Water Projects Fund. During 2008 the City used assets available in this fund to pay debt services and capital outlay expenditures. Expenditures in this fund exceeded the requirements associated with these revenues.

The fund balance decrease by \$405,743 in the Debt Service fund. During 2008 there was a bond defeasance of a portion of General Obligation Bond Series 2003.

General Fund Budgetary Highlights

For 2008, actual revenues in the General Fund were \$8,155,234 compared to the final budget amount of \$8,150,853. There were several categories with variances of note. Taxes, fines, court costs and investment interest, were discussed in other sections of this report. Sales tax revenue was budgeted with a slight increase for 2008. The Fines and Court Costs revenue budget had been established to reflect the consistently flat revenue.

City of Manchester, Missouri
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008
(Continued)

For 2008, actual expenditures were \$7,257,576 compared to the final budget amount of \$7,833,891. Staffing levels for the 2008 budget reflected no change in comparison to the 2007 staffing levels. Several seasoned employees severed employment, and were replaced with new employees who earned less per hour. This rate of turnover contributed to an overall savings within the City's salary and benefits.

An area where full appropriation was not utilized was in professional fees. The City has a contract with a swimming pool management company to staff and operate the City's Aquatic Center. In the budget process the annual maximum contract payment for the year is used. The actual payments can be reduced due to foul weather, the number of life guards needed for the day, lack of participation in swimming lessons, fewer special events, etc. In 2008 the actual services provided were \$12,000 less than the contracted maximum for the year.

As a member of the Drug Task Force, the City cannot determine if or when asset forfeiture funds may be received, therefore no current year appropriation is made utilizing these funds in the original budget process. Other changes to the original budget occurred to re-distribute appropriated wage and benefits costs. When the budget is developed, employee annual performance reviews have not occurred. The Mayor and Board of Aldermen, therefore appropriate a dollar amount that may be used to increase wages and related benefit costs as a general pool. Wages increases are effective on January 1 and required a re-distribution to the various departments from the funds available.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's 2009 anticipated revenue is budgeted at \$13,151,688; the appropriated expenditure level is \$13,509,078, which will result in an excess of expenditures over current year revenues of \$357,390. This excess spending is due largely to increasing projects in the Capital Improvements and General funds. The Capital Improvements fund increased expenditures by \$253,022 over the 2008 budget. Several projects were increased, such as asphalt street milling, concrete street replacement, and concrete sidewalk replacement.

The General fund increased expenditures by \$417,727 over the 2008 budget. The City recognized a significant increase in waste management services.

City of Manchester, Missouri
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008
(Continued)

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact:

Michelle DePew
Director of Finance
City of Manchester, Missouri
14318 Manchester Road
Manchester Missouri 63011

Independent Auditors' Report

The Honorable Mayor and Members of
the Board of Aldermen
City of Manchester, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Missouri, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Missouri as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, the budgetary comparison information and the trend information on pages *i - ix* and 21 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manchester, Missouri's basic financial statements. The additional information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied by us, in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.


April 24, 2009

FINANCIAL STATEMENTS

City of Manchester, Missouri
STATEMENT OF NET ASSETS
December 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 8,958,266
Taxes receivable:	
Property	379,036
Other	1,276,019
Accounts receivable	57,637
Prepaid	124,845
Interest receivable	102,170
Restricted assets:	
Cash and investments	5,043,976
Capital assets - net:	
Nondepreciable	3,532,462
Depreciable	<u>8,862,816</u>
TOTAL ASSETS	<u><u>28,337,227</u></u>
LIABILITIES	
Accounts payable	599,923
Accrued wages	39,189
Accrued compensated absences	78,573
Escrow payable	18,825
Accrued interest payable	54,357
Court bonds payable	29,350
Accrued and withheld items	4,321
Noncurrent liabilities:	
Due in one year	945,000
Due in more than one year	<u>5,555,708</u>
TOTAL LIABILITIES	<u><u>7,325,246</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	10,942,628
Restricted:	
Parks	991,044
Capital projects	42,924
Debt service	435,775
TIF expenditures	60,123
Homecoming	69,128
Sewer repairs	386,266
Unrestricted	<u>8,084,093</u>
TOTAL NET ASSETS	<u><u>\$ 21,011,981</u></u>

See accompanying notes to financial statements

City of Manchester, Missouri
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Service	Capital and Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General government	\$ 841,229	\$ 160,546	\$ -	(\$ 680,683)
Police department	3,165,510	480,481	75,942	(2,609,087)
Public works	3,949,129	38,923	32,992	(3,877,214)
Community development	272,623	-	-	(272,623)
Aquatic center	449,556	304,241	-	(145,315)
Recreation	701,897	60,215	-	(641,682)
Legal and court	252,229	-	-	(252,229)
Interest and fiscal charges	322,412	-	-	(322,412)
Total Governmental Activities	<u>\$ 9,954,585</u>	<u>\$ 1,044,406</u>	<u>\$ 108,934</u>	<u>(8,801,245)</u>
General Revenues:				
Taxes				
Sales				5,375,461
Utility				1,624,896
Property				1,440,554
Franchise				185,682
Other				853,580
Interest income				279,374
Other miscellaneous revenue				166,098
Contributed capital assets				<u>10,000</u>
Total General Revenues				<u>9,935,645</u>
Changes in Net Assets				1,134,400
Net Assets - Beginning of Year				<u>19,877,581</u>
Net Assets - End of Year				<u>\$ 21,011,981</u>

See accompanying notes to financial statements

City of Manchester, Missouri
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2008

	General Fund	Parks and Storm Water Projects Fund	Capital Projects Fund	Other Non-Major Governmental Funds	Total
ASSETS AND OTHER DEBITS					
Cash and investments	\$ 7,443,267	\$ 867,829	\$ -	\$ 647,170	\$ 8,958,266
Taxes receivable:					
Property	158,440	-	-	220,596	379,036
Other	967,541	149,130	127,609	31,739	1,276,019
Accounts receivable	2,310	-	-	55,327	57,637
Interest receivable	60,859	-	41,311	-	102,170
Prepaid	124,845	-	-	-	124,845
Due from other funds	125,996	-	(125,996)	-	-
Restricted assets:					
Cash and investments	-	76	5,043,900	-	5,043,976
TOTAL ASSETS	\$ 8,883,258	\$ 1,017,035	\$ 5,086,824	\$ 954,832	\$ 15,941,949
LIABILITIES					
Accounts payable	\$ 128,842	\$ 25,915	\$ 441,626	\$ 3,540	\$ 599,923
Accrued wages	39,189	-	-	-	39,189
Accrued compensated absences	78,573	-	-	-	78,573
Escrow payable	18,825	-	-	-	18,825
Court bonds payable	29,350	-	-	-	29,350
Accrued and withheld items	4,321	-	-	-	4,321
Deferred revenue	7,674	-	-	30,695	38,369
Total Liabilities	306,774	25,915	441,626	34,235	808,550
FUND BALANCES					
Reserved for prepaid	124,845	-	-	-	124,845
Reserved for capital expenditures	-	76	4,602,274	-	4,602,350
Unreserved					
Designated - contingency	1,425,000	-	-	-	1,425,000
General fund	7,026,639	-	-	-	7,026,639
Parks and storm water projects fund	-	991,044	-	-	991,044
Capital projects fund	-	-	42,924	-	42,924
Special revenue funds	-	-	-	515,517	515,517
Debt service fund	-	-	-	405,080	405,080
Total Fund Balances	8,576,484	991,120	4,645,198	920,597	15,133,399
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,883,258	\$ 1,017,035	\$ 5,086,824	\$ 954,832	\$ 15,941,949

See accompanying notes to financial statements

City of Manchester, Missouri
RECONCILIATION OF THE STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
December 31, 2008

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances per balance sheet	\$ 15,133,399
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,395,278
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	38,369
Interest payable recorded in the statement of net assets does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(54,357)
Long-term liabilities, including bonds payable, certificates of participation payable and postretirement benefits, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(6,500,708)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 21,011,981</u></u>

See accompanying notes to financial statements
(5)

City of Manchester, Missouri
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES**
For the Year Ended December 31, 2008

	General Fund	Parks and Storm Water Projects Funds	Capital Projects Fund	Other Non-major Funds	Total
REVENUES					
Taxes	\$6,789,174	\$ 982,553	\$ 838,407	\$ 870,457	\$ 9,480,591
Licenses and permits	165,309	-	-	-	165,309
Fines and forfeitures	480,481	-	-	-	480,481
Investment income	173,328	-	106,046	-	279,374
Charges for service	364,456	-	-	34,160	398,616
Miscellaneous	182,486	32,992	19,610	60,702	295,790
Total Revenues	<u>8,155,234</u>	<u>1,015,545</u>	<u>964,063</u>	<u>965,319</u>	<u>11,100,161</u>
EXPENDITURES					
Current					
General government	810,937	1,430	451	-	812,818
Police department	3,002,796	-	-	-	3,002,796
Public works	2,076,528	-	-	10,149	2,086,677
Community development	257,078	-	-	13,212	270,290
Aquatic center	299,700	-	-	-	299,700
Recreation	570,999	-	-	17,125	588,124
Legal department and municipal court	239,538	-	-	-	239,538
Capital outlay	-	709,857	2,895,203	165,296	3,770,356
Debt service					
Principal, interest and fiscal charges	-	542,476	171,309	1,105,108	1,818,893
Total Expenditures	<u>7,257,576</u>	<u>1,253,763</u>	<u>3,066,963</u>	<u>1,310,890</u>	<u>12,889,192</u>
Excess (Deficiency) of Revenues Over Expenditures	897,658	(238,218)	(2,102,900)	(345,571)	(1,789,031)
OTHER FINANCING SOURCES (USES)					
Operating transfer in (out)	(385,436)	-	373,436	12,000	-
Net Changes in Fund Balance	512,222	(238,218)	(1,729,464)	(333,571)	(1,789,031)
FUND BALANCES, Beginning of year	<u>8,064,262</u>	<u>1,229,338</u>	<u>6,374,662</u>	<u>1,254,168</u>	<u>16,922,430</u>
FUND BALANCES, End of year	<u>\$8,576,484</u>	<u>\$ 991,120</u>	<u>\$4,645,198</u>	<u>\$ 920,597</u>	<u>\$15,133,399</u>

See accompanying notes to financial statements
(6)

City of Manchester, Missouri
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Amounts reported for governmental activities in the statement of activities
are different because:

Change in fund balance-total governmental funds	(\$ 1,789,031)
Revenues that do not provide current financial resources are not included in the fund financial statements.	(419)
The acquisition of capital assets requires use of current financial resources but has no effect on net assets.	1,916,373
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(449,733)
In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increases financial resources	(20,757)
Contributed capital assets are recorded as assets in the statement of net assets. These assets are not reflected in the fund financial statements.	10,000
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,496,481
Increases in accumulated post retirement benefits are recorded when earned in the statement of activities	<u>(28,514)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,134,400</u>

See accompanying notes to financial statements
(7)

City of Manchester, Missouri
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Manchester, Missouri (the "City") was incorporated as a city within St. Louis County, Missouri on August 17, 1959. The residents voted to approve the Village of Manchester becoming a fourth class city as provided by Missouri state statutes, and established a Mayor/City Administrator/Board of Aldermen form of government. The City's major operations include police protection, street maintenance and improvements, park and recreation, community development and general administrative services. The basic financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental agencies. The significant accounting policies applied by the City in the preparation of the accompanying financial statements are summarized below:

Reporting Entity

The City applies the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials' accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary government unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The City presently has no component units included within its reporting entity.

Basic Financial Statements

Basic financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the activities of the Primary Government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges that would distort direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on an annual cost allocation plan. Program revenue include: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

City of Manchester, Missouri
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basic Financial Statements (Continued)

Separate fund based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, the Parks and Storm Water Projects Fund, and the Capital Projects Fund. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are incurred when a liability is incurred, regardless of timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City generally considers revenues available if they are collected within 60 days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The City reports the following major governmental funds:

The General Fund – The City's primary operating fund, which accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

City of Manchester, Missouri
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The Parks and Storm Water Projects Fund – The City uses this fund to account for sales tax revenue designated for parks and storm water projects.

The Capital Projects Fund – The City uses this fund to account for sales tax revenue and proceeds from the issuance of debt designated for capital improvements.

The other governmental funds of the City are considered nonmajor. They are special revenue funds, which account for the specific revenue sources that are legal restricted to expenditures for specific purposes and a debt service fund which accounts for property taxes assessed specifically for the retirement of debt.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights, street lights, sewer lines, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$2,000 or more and an estimated useful life in excess of one year. Infrastructure assets with an initial cost of \$50,000 or more are also capitalized and depreciated. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Capital assets of the City are depreciated using a straight-line method over the following estimated useful lives:

<u>Major Group</u>	<u>Life</u>
Building and improvements	5 – 40 years
Machinery and equipment	5 – 20 years
Vehicles	5 years
Infrastructure	10 – 50 years

The government-wide financial statements do not reflect those infrastructure assets completed prior to January 1, 2004. From this point forward, new infrastructure will be added to the records while the retroactive historical value of the City's infrastructure assets will not be added.

City of Manchester, Missouri
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could vary from the estimates that management uses.

Restricted Cash and Investments

Certain cash and investments are restricted for the construction or purchase of assets.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Compensated Absences

The policy for vacation pay allows employees to take time off with pay. The policy allows employees to carry forward up to one-half of the days earned in that particular year. Any days carried forward must be used in the following year. Since all days carried forward must be used in the following year, it is reflected as a current liability. Sick leave is accumulated based upon hours worked and is available only to provide compensation during periods of illness or injury. Also, the City instituted a Catastrophic Leave Policy during the year ended December 31, 2008, which provides employees the opportunity to donate sick leave, vacation and/or compensatory time so that other employees may remain in paid status, and thus partially reduce the financial impact of a serious illness or injury. No portion of sick or catastrophic leave is payable to the employee upon termination of employment. Therefore, no liability for sick or catastrophic leave has been accrued by the City.

Long-Term Liabilities

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding are included in interest expense.

City of Manchester, Missouri
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Long-Term Liabilities (Continued)

Also recorded in long-term liabilities is the City's severance package liability. The City pays to each employee with 20 years of service upon retirement an amount equal to three months salary. The City records in long-term liabilities an amount equal to the estimated liability at year end based on the length of service of each employee. The change in this liability is recorded in the government-wide statements to match the expense of providing this benefit to the period it is earned by the employee.

Net Assets and Fund Equity

In government-wide financial statements net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets net of related debt represents capital assets less accumulated depreciation less outstanding principal on related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represents net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Investments

The City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. The City's investments are carried at fair value. Interest income earned on pooled cash and investments is allocated to the various funds. Interest income on restricted cash and investments is credited directly to the related fund.

The City is authorized to invest funds not immediately needed for the purpose to which the funds are applicable, in obligations of the United States Treasury, United States Government Agencies, Repurchase Agreements, Certificates of Deposit, Banker's Acceptance and Commercial Paper.

City of Manchester, Missouri
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008
(Continued)

B. BUDGETS AND BUDGETARY ACCOUNTING

The Board of Aldermen adopts an annual budget on the modified accrual basis of accounting for its general, debt service, capital projects, and special revenue funds. The procedures outlined below are followed in establishing the budgetary data reflected in the general purpose financial statements:

1. The Director of Finance, with the assistance of the department heads, prepares a budget of estimated revenues and expenditures for the forthcoming year and delivers the budget to the City Administrator.
2. The City Administrator reviews the proposed expenditures with the Director of Finance and the department heads and, after necessary revisions have been made, submits the budget to the Mayor and Board of Aldermen in late October of each year.
3. The Board of Aldermen will then hold budget work sessions with the City Administrator and staff to make final revisions to the proposed budget.
4. A 15-day notice is given by publication announcing a public hearing on the proposed budget in a newspaper with general circulation in the City and a public hearing and introduction of the bill for the adoption of the annual budget is held at the first Aldermanic meeting in the month of December.
5. The budget is legally enacted by ordinance prior to January 1 of the year to which it applies.
6. The City Administrator is authorized to transfer within any fund any unexpended balance. The Board of Aldermen must approve all fund transfers.
7. The Board of Aldermen may make supplemental appropriations for revenues in excess of original budget estimates or reduce appropriations should revenues be insufficient to meet the amount appropriated.
8. At the end of each budget period, all appropriated balances lapse and may be re-appropriated in the next budget period.

The legal level of budgetary control for the City is at the fund level.

C. CASH AND TEMPORARY INVESTMENTS

At December 31, 2008, the carrying amount of the City's deposits was \$5,803,158 and the bank balances totaled \$5,587,905. All deposits were covered by Federal Deposit Insurance Corporation (FDIC), secured with pledged securities or letters of credit held by the pledging financial institution or its agent in the City's name.

City of Manchester, Missouri
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008
(Continued)

D. PROPERTY TAX

The City's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Taxes are levied on September 1 and payable by December 31. A lien is placed on the property on January 1 and is then subject to interest and penalties. The assessed value at January 1, 2008, upon which the 2008 levy was based for real, personal and public utility property, was \$364,924,997. The City's tax rate was levied at \$.05 and \$.19 per \$100 of assessed valuation for the General Fund and the Debt Service Fund, respectively.

E. INVESTMENTS

Custodial credit risk – For deposits and investments, the custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is in the City's policy that all deposits and investments be insured, covered by collateral or be investments backed by the full faith and credit of the United States Government. Investments of the City are either insured, collateralized, or invested in securities of the United States or its agencies.

Credit risk – The City has no formal policy regarding credit risk. In general, the City invests only in instruments with an AAA rating.

Interest rate risk – The City has no formal policy in regards to interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City limits its exposure to investments with maturities greater than one year. The following table shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>		<u>Rating</u>
		<u>0-1 Years</u>	<u>1-3 Years</u>	
U.S. Agency Securities	\$3,249,968	\$3,249,968	\$ -	AAA
Certificates of Deposit	<u>3,525,000</u>	<u>3,525,000</u>	<u>-</u>	AAA
Total	<u>\$6,774,968</u>	<u>\$6,774,968</u>	<u>\$ -</u>	

City of Manchester, Missouri
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008
(Continued)

E. **INVESTMENTS (Continued)**

Concentration of credit risk – The City places no limit on the amount that the City may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of the total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FLHMC	Federal agency securities	\$ 179,673
FHLB callable	Federal agency securities	1,031,037
U.S. Treasury Bills	Federal agency securities	2,039,258
Commerce Bank NA	Certificate of Deposit	2,525,000
Eagle Bank	Certificate of Deposit	1,000,000

F. **INTERFUND TRANSACTIONS**

The following transfers were made during the fiscal year ending December 31, 2008:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$395,436
Capital Projects Fund	373,436	-
Homecoming Fund	12,000	-

The City transferred funds from the General Fund to the Capital Projects Fund and the Homecoming Fund to cover expenditures in those funds that exceed funds available.

G. **INTERFUND RECEIVABLES AND PAYABLES**

Due to/from other funds at December 31, 2008 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$125,966	\$ -
Capital Projects Fund	-	125,996

The General Fund provides funds to the Capital Projects Fund until taxes are collected to cover expenditures.

City of Manchester, Missouri
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008
(Continued)

H. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2008 is as follows:

	Balance Beginning of Year	Additions	Reclass- ification/ Deletions	Balance End of Year
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 1,570,963	\$ 10,000	\$ -	\$ 1,580,963
Construction in process	1,466,547	1,670,783	(1,185,831)	1,951,499
Total capital assets, not being depreciated	3,037,510	1,680,783	(1,185,831)	3,532,462
Capital assets, being depreciated:				
Buildings and improvements	8,278,719	48,304	-	8,327,023
Machinery and equipment	968,691	74,220	(39,115)	1,003,796
Infrastructure	380,753	1,185,831	-	1,566,584
Vehicles	1,264,658	123,066	(103,116)	1,284,608
Total capital assets, being depreciated	10,892,821	1,431,421	(142,231)	12,182,011
Less accumulated depreciation for:				
Buildings and improvements	(1,456,671)	(244,722)	-	(1,701,393)
Machinery and equipment	(548,153)	(79,997)	35,028	(593,122)
Infrastructure	(50,043)	(19,038)	-	(69,081)
Vehicles	(936,069)	(105,976)	86,446	(955,599)
Total accumulated depreciation	(2,990,936)	(449,733)	121,474	(3,319,195)
Total capital assets, being depreciated, net	7,901,885	981,688	(20,757)	8,862,816
Total Governmental Activities	\$10,939,395	\$2,662,471	(\$1,206,588)	\$12,395,278

Depreciation expense was charged to functions/programs of the Primary Government as follows:

Governmental activities:	
General government	\$ 25,040
Police department	85,575
Aquatic center	136,546
Recreation	74,447
Public works	124,498
Legal and court	3,627
Total depreciation expense governmental activities	\$449,733

City of Manchester, Missouri
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008
(Continued)

I. LONG-TERM DEBT

Refunding Certificates of Participation – In 2005 the City issued Certificates of Participation to refund certificates issued in 2001 for the construction of an aquatic center and new public works building. The Certificates will be retired through the payment of an annually renewable lease purchase agreement.

On December 31, 2008, the outstanding principal on the certificates consisted of the following:

UMB Bank, N.A., Kansas City	\$1,490,000
Interest rate – 3.285%	
Matures – March, 2011	
Annual payments range from \$116,889 to \$714,705	

General Obligation Bonds – The bonds were issued in April 2003 for the purpose of acquiring land and constructing, furnishing and equipping a new police station, including public meeting space therein. Funds from a dedicated property tax will be accumulated in the Debt Service Fund to make future principal and interest payments. On December 31, 2008, the outstanding principal on the General Obligation Bonds consists of the following:

UMB Bank, N.A., Kansas City	\$4,565,000
Police building	
Interest rate – 1.15% to 4.25%	
Matures – March, 2023	
Annual payments range from \$122,550 to \$449,855	

The annual debt service payments are as follows:

Year	Certificates of Participation		General Obligation Bonds		Total
	Principal	Interest	Principal	Interest	
2009	\$ 680,000	\$37,777	\$ 265,000	\$ 159,683	\$1,142,460
2010	695,000	15,193	275,000	152,589	1,137,782
2011	115,000	1,889	290,000	144,458	551,347
2012	-	-	300,000	135,382	435,382
2013	-	-	315,000	125,460	440,460
2014	-	-	325,000	114,738	439,738
2015	-	-	340,000	103,178	443,178
2016	-	-	360,000	90,483	450,483
2017	-	-	375,000	76,698	451,698
2018	-	-	395,000	61,840	456,840
2019	-	-	410,000	45,968	455,968
2020	-	-	435,000	28,850	463,850
2021	-	-	455,000	10,491	465,491
2022	-	-	25,000	525	25,525
Total	<u>\$1,490,000</u>	<u>\$54,859</u>	<u>\$4,565,000</u>	<u>\$1,250,343</u>	<u>\$7,360,202</u>

City of Manchester, Missouri
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008
(Continued)

I. LONG-TERM DEBT (Continued)

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Certificates of Participation	\$2,145,000	\$ -	(\$ 655,000)	\$1,490,000	\$680,000
General Obligation Bonds	5,395,000	-	(830,000)	4,565,000	265,000
Postretirement benefits	417,194	28,514	-	445,708	-
Total	<u>\$7,957,194</u>	<u>\$28,514</u>	<u>(\$1,485,000)</u>	<u>\$6,500,708</u>	<u>\$945,000</u>

During 2006, the City placed \$398,800 with an escrow agent for the purpose of generating resources for all future debt service payments totaling \$468,825 of general obligation bonds. During 2008 the City placed \$599,542 with an escrow agent for the purpose of generating resources for all future debt service payments totaling \$899,100 of general obligation bonds. As a result of the two events, \$950,000 of the bonds is considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets.

J. POST-RETIREMENT BENEFITS

As a benefit to employees who have served the City for an extended period of time, the City provides certain benefits upon retirement. Upon retirement full time employees who have been employed by the City for 20 years or more are entitled to receive three months of salary. At December 31, 2008 there were 13 employees eligible to receive benefits. The City has accrued this liability in the government-wide statements as a noncurrent liability. The balance at December 31, 2008 amounted to \$445,708. The amount recorded as expense for 2008 was \$28,514. During 2008, no benefits were paid to qualified employees who retired.

K. RETIREMENT PLAN

The City of Manchester, Missouri Profit Sharing Plan and Trust (a single-employer defined contribution retirement plan currently administered by ICMA Retirement Corp.) became effective October 1, 1990 upon the passage of an ordinance by the Board of Aldermen. The City pays for the full cost of the Plan by contributing up to 5% of eligible participating employees' annual compensation. All employees are eligible to participate in the Plan when they have been credited with at least 1,000 hours of service during the period of 6 consecutive months measured from the anniversary date of their employment.

Employees vest at a graduated rate over a five year period. The City contributed \$166,108 to the Plan during 2008. The City's total payroll for the year ended December 31, 2008 was \$3,532,757.

City of Manchester, Missouri
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008
(Continued)

L. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City makes no contribution to the plan.

ICMA Retirement Corporation administers the City's Deferred Compensation Plan. The City does not have significant administrative involvement in the Plan. With the adoption of Governmental Accounting Standards Board (GASB) No. 32, *"Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"* the City's Deferred Compensation Plan is not included in the general purpose financial statements. The City's Plan does not meet the criteria for reporting the Deferred Compensation Plan in a fiduciary fund.

M. RISK MANAGEMENT

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City is a member of the St. Louis Area Insurance Trust (SLAIT), a not-for-profit, self insurance risk pool, formed by various St. Louis County municipalities.

In order to operate as a group self-insurer of worker's compensation, SLAIT was formed in August 1986. In addition to insurance protection, the program provides risk management services with emphasis on loss control, claims administration, and management information services. SLAIT is fully funded by its member participants and employees an outside service company to process all claims.

Coverage is provided by the trust for general and auto liability subject to a \$500 deductible per occurrence for third party property damage and for law enforcement liability subject to a \$2,500 deductible per occurrence. Any damage to city property carries a \$5,000 deductible. This trust also employs an outside service company to process all claims.

The trusts require an annual premium payment by members to cover estimated claims payable and reserves for claims. The members of the trust have no legal interest in assets, liabilities, or fund balances of the insurance trust. However, the City is contingently liable to fund its pro rata share of any deficit incurred by the trusts should the trust cease operation at some future date. The City's 2008 premium payments to the trust totaled \$139,229.

The City also purchases commercial insurance to cover risks related to building and other City property, crimes, business, travel, public official liability, earthquakes, and employee blanket bonds. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

City of Manchester, Missouri
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2008
(Continued)

N. COMMITMENTS

In 2004 the City signed a contract for single-family residential household trash, recycle, and yard waste collection service. The contract is for five years and increases for each subsequent year are equal to the consumer price index. During the year ended December 31, 2008 expenditures for waste removal totaled \$818,062.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

City of Manchester, Missouri
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$6,737,621	\$6,737,621	\$6,789,174	\$ 51,553
Licenses and permits	180,191	180,191	165,309	(14,882)
Fines and forfeitures	500,619	500,619	480,481	(20,138)
Investment income	246,247	246,247	173,328	(72,919)
Charges for service	367,811	367,811	364,456	(3,355)
Miscellaneous	118,364	118,364	182,486	64,122
Total Revenues	<u>8,150,853</u>	<u>8,150,853</u>	<u>8,155,234</u>	<u>4,381</u>
EXPENDITURES				
Current				
General government	881,243	904,561	810,937	93,624
Police department	3,086,504	3,154,703	3,002,796	151,907
Public works	2,145,293	2,221,809	2,076,528	145,281
Community development	289,965	297,709	257,078	40,631
Aquatic center	336,267	320,751	299,700	21,051
Recreation	638,915	642,028	570,999	71,029
Legal department and municipal court	291,859	292,330	239,538	52,792
Total Expenditures	<u>7,670,046</u>	<u>7,833,891</u>	<u>7,257,576</u>	<u>576,315</u>
Excess (Deficiency) of Revenues Over Expenditures	480,807	316,962	897,658	580,696
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	<u>-</u>	<u>-</u>	<u>(385,436)</u>	<u>(385,436)</u>
Net Changes in Fund Balance	480,807	316,962	512,222	<u>\$195,260</u>
FUND BALANCE, Beginning of year	<u>8,064,262</u>	<u>8,064,262</u>	<u>8,064,262</u>	
FUND BALANCE, End of year	<u>\$8,545,069</u>	<u>\$8,381,224</u>	<u>\$8,576,484</u>	

See note to required supplemental information
(21)

City of Manchester, Missouri
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
PARKS AND STORM WATER PROJECTS FUND
For the Year Ended December 31, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$1,120,044	\$1,120,044	\$ 982,553	(\$137,491)
Miscellaneous	-	-	32,992	32,992
Total Revenues	<u>1,120,044</u>	<u>1,120,044</u>	<u>1,015,545</u>	<u>(104,499)</u>
EXPENDITURES				
General government	-	-	1,430	(1,430)
Capital outlay	1,310,250	1,406,250	709,857	696,393
Debt service				
Principal, interest, and fiscal charges	<u>545,076</u>	<u>545,076</u>	<u>542,476</u>	<u>2,600</u>
Total Expenditures	<u>1,855,326</u>	<u>1,951,326</u>	<u>1,253,763</u>	<u>697,563</u>
Excess (Deficiency) of Revenues Over Expenditures	(735,282)	(831,282)	(238,218)	593,064
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	-	-	-	-
Net Changes in Fund Balance	(735,282)	(831,282)	(238,218)	<u>\$593,064</u>
FUND BALANCE, Beginning of year	<u>1,229,338</u>	<u>1,229,338</u>	<u>1,229,338</u>	
FUND BALANCE, End of year	<u>\$ 494,056</u>	<u>\$ 398,056</u>	<u>\$ 991,120</u>	

See note to required supplemental information
(22)

City of Manchester, Missouri
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2008
(Continued)

A. **BUDGETARY INFORMATION**

The City prepares its budget on a basis consistent with generally accepted accounting principles. The budgetary process is detailed in footnote B of the notes to the financial statements.

**ADDITIONAL
INFORMATION**

City of Manchester, Missouri
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2008

	Special Revenue Funds				
	Debt Service Fund	TIF Fund	Homecoming Fund	Sewer Fund	Total
ASSETS					
Cash and investments	\$215,179	\$ 5,420	\$69,161	\$357,410	\$647,170
Property taxes receivable	220,596	-	-	-	220,596
Other taxes receivable	-	-	-	31,739	31,739
Accounts receivable other	-	55,327	-	-	55,327
TOTAL ASSETS	<u>\$435,775</u>	<u>\$60,747</u>	<u>\$69,161</u>	<u>\$389,149</u>	<u>\$954,832</u>
LIABILITIES					
Accounts payable	\$ -	\$ 624	\$ 33	\$ 2,883	\$ 3,540
Deferred revenue	30,695	-	-	-	30,695
Total Liabilities	<u>30,695</u>	<u>624</u>	<u>33</u>	<u>2,883</u>	<u>34,235</u>
FUND BALANCES					
Unreserved					
Debt service fund	405,080	-	-	-	405,080
TIF fund	-	60,123	-	-	60,123
Homecoming fund	-	-	69,128	-	69,128
Sewer fund	-	-	-	386,266	386,266
Total Fund Balances	<u>405,080</u>	<u>60,123</u>	<u>69,128</u>	<u>386,266</u>	<u>920,597</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$435,775</u>	<u>\$60,747</u>	<u>\$69,161</u>	<u>\$389,149</u>	<u>\$954,832</u>

See independent auditors' report
(24)

City of Manchester, Missouri
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2008

	Special Revenue Funds				
	Debt Service Fund	TIF Fund	Homecoming Fund	Sewer Fund	Total
REVENUES					
Taxes	\$699,365	\$ 4,107	\$ -	\$166,985	\$ 870,457
Charges for service	-	-	-	34,160	34,160
Miscellaneous	-	51,504	9,198	-	60,702
Total Revenues	<u>699,365</u>	<u>55,611</u>	<u>9,198</u>	<u>201,145</u>	<u>965,319</u>
EXPENDITURES					
Current					
Public works	-	-	-	10,149	10,149
Community development	-	13,212	-	-	13,212
Recreation	-	-	17,125	-	17,125
Capital outlay	-	-	-	165,296	165,296
Debt service					
Principal, interest and fiscal charges	<u>1,105,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,105,108</u>
Total Expenditures	<u>1,105,108</u>	<u>13,212</u>	<u>17,125</u>	<u>175,445</u>	<u>1,310,890</u>
Excess (Deficiency) of Revenues over Expenditures	(405,743)	42,399	(7,927)	25,700	(345,571)
OTHER FINANCING SOURCES (USES)					
Operating transfer in (out)	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Net Changes in Fund Balance	(405,743)	42,399	4,073	25,700	(333,571)
FUND BALANCE, Beginning of year	<u>810,823</u>	<u>17,724</u>	<u>65,055</u>	<u>360,566</u>	<u>1,254,168</u>
FUND BALANCE, End of year	<u>\$405,080</u>	<u>\$60,123</u>	<u>\$69,128</u>	<u>\$386,266</u>	<u>\$ 920,597</u>

See independent auditors' report
(25)

City of Manchester, Missouri
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
For the Year Ended December 31, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 952,597	\$ 952,597	\$ 838,407	(\$ 114,190)
Investment income	60,000	60,000	106,046	46,046
Miscellaneous	-	-	19,610	19,610
Total Revenues	<u>1,012,597</u>	<u>1,012,597</u>	<u>964,063</u>	<u>(48,534)</u>
EXPENDITURES				
General government	-	-	451	(451)
Capital outlay	1,907,760	9,124,337	2,895,203	6,229,134
Debt service				
Principal, interest and fiscal charges	<u>172,129</u>	<u>172,129</u>	<u>171,309</u>	<u>820</u>
Total Expenditures	<u>2,079,889</u>	<u>9,296,466</u>	<u>3,066,963</u>	<u>6,229,503</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,067,292)	(8,283,869)	(2,102,900)	6,180,969
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	-	-	373,436	373,436
Net Changes in Fund Balances	(1,067,292)	(8,283,869)	(1,729,464)	<u>\$6,554,405</u>
FUND BALANCE, Beginning of year	<u>6,374,662</u>	<u>6,374,662</u>	<u>6,374,662</u>	
FUND BALANCE, End of year	<u>\$5,307,370</u>	<u>(\$1,909,207)</u>	<u>\$4,645,198</u>	

See independent auditors' report
(26)

City of Manchester, Missouri
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
For the Year Ended December 31, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	<u>\$718,000</u>	<u>\$718,000</u>	<u>\$699,365</u>	<u>(\$ 18,635)</u>
EXPENDITURES				
Debt service				
Principal, interest and fiscal charges	<u>603,305</u>	<u>1,223,305</u>	<u>1,105,108</u>	<u>118,197</u>
Total Expenditures	<u>603,305</u>	<u>1,223,305</u>	<u>1,105,108</u>	<u>118,197</u>
Excess (Deficiency) of Revenues Over Expenditures	114,695	(505,305)	(405,743)	<u>\$ 99,562</u>
FUND BALANCE, Beginning of year	<u>810,823</u>	<u>810,823</u>	<u>810,823</u>	
FUND BALANCE, End of year	<u>\$925,518</u>	<u>\$305,518</u>	<u>\$405,080</u>	

See independent auditors' report
(27)

City of Manchester, Missouri
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TIF FUND
For the Year Ended December 31, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 40,000	\$ 40,000	\$ 4,107	(\$ 35,893)
Miscellaneous	-	-	51,504	51,504
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>55,611</u>	<u>15,611</u>
EXPENDITURES				
Current				
Community development	<u>41,100</u>	<u>41,100</u>	<u>13,212</u>	<u>27,888</u>
Total Expenditures	<u>41,100</u>	<u>41,100</u>	<u>13,212</u>	<u>27,888</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,100)	(1,100)	42,399	(12,277)
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	-	-	-	-
Net Changes in Fund Balance	(1,100)	(1,100)	42,399	<u>(\$ 12,277)</u>
FUND BALANCE, Beginning of year	<u>17,724</u>	<u>17,724</u>	<u>17,724</u>	
FUND BALANCE, End of year	<u>\$ 16,624</u>	<u>\$ 16,624</u>	<u>\$ 60,123</u>	

See independent auditors' report
(28)

City of Manchester, Missouri
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - HOMECOMING FUND
For the Year Ended December 31, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 30,500	\$ 30,500	\$ 9,198	(\$ 21,302)
EXPENDITURES				
Current				
Recreation	<u>43,436</u>	<u>43,436</u>	<u>17,125</u>	<u>26,311</u>
Excess (Deficiency) of Revenues Over Expenditures	(12,936)	(12,936)	(7,927)	5,009
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>
Net Changes in Fund Balance	(12,936)	(12,936)	4,073	<u>\$ 17,009</u>
FUND BALANCE, Beginning of year	<u>65,055</u>	<u>65,055</u>	<u>65,055</u>	
FUND BALANCE, End of year	<u>\$ 52,119</u>	<u>\$ 52,119</u>	<u>\$ 69,128</u>	

See independent auditors' report
(29)

City of Manchester, Missouri
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SEWER FUND
For the Year Ended December 31, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$167,000	\$167,000	\$166,985	(\$ 15)
Charges for service	<u>27,500</u>	<u>27,500</u>	<u>34,160</u>	<u>6,660</u>
Total Revenues	<u>194,500</u>	<u>194,500</u>	<u>201,145</u>	<u>6,645</u>
EXPENDITURES				
Current				
Public works	48,352	48,352	10,149	38,203
Capital outlay	<u>200,240</u>	<u>200,240</u>	<u>165,296</u>	<u>34,944</u>
Total Expenditures	<u>248,592</u>	<u>248,592</u>	<u>175,445</u>	<u>73,147</u>
Excess (Deficiency) of Revenues Over Expenditures	(54,092)	(54,092)	25,700	<u>\$79,792</u>
FUND BALANCE, Beginning of year	<u>360,566</u>	<u>360,566</u>	<u>360,566</u>	
FUND BALANCE, End of year	<u>\$306,474</u>	<u>\$306,474</u>	<u>\$386,266</u>	

See independent auditors' report
(30)